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ABSTRACT

This individualized, competency-based unit on obtaining technical assistance, the fourth of 18 modules, is on the third level of the revised Program for Acquiring Competence in Entrepreneurship (PACE). Intended for the advanced secondary and postsecondary levels and for adults wanting training or retraining, this unit, together with the other materials at this level, emphasizes the actual application of a business plan. Three competencies are dealt with in this instructional unit, including (1) preparing for using technical assistance, (2) selecting professional consultants, and (3) working effectively with consultants. Materials provided include objectives, preparation information, an overview, content (with questions in margins that guide the students' reading), activities, assessment forms, and notes and sources. The unit requires using approximately three hours of class time. (YLB)

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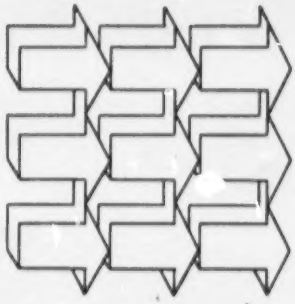

UNIT 4

☐ Level 1
☐ Level 2
☑ Level 3

Obtaining Technical Assistance

Developed by M. Catherine Ashmore and Sandra G. Pritz

You will be able to:

- **Prepare for using technical assistance.**
- **Select professional consultants.**
- **Work effectively with consultants.**

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Research & Development Series No. 240 CB 4

BEFORE YOU BEGIN . . .

1. Consult the *Resource Guide* for instructions if this is your first PACE unit.

2. Read the Unit Objectives on the front cover. If you think you can meet these objectives now, consult your instructor.

3. These objectives were met at Levels 1 and 2:

   Level 1 -

   - Discuss how technical assistance can help the entrepreneur
   - Identify the types of technical assistance needed by the entrepreneur
   - Know where to find technical assistance

   Level 2 -

   - Identify the technical assistance needed by entrepreneurs
   - Determine what technical assistance you need

   If you feel unsure about any of these topics, ask your instructor for materials to review them.

4. Look for these business terms as you read this unit. If you need help with their meanings, turn to the Glossary in the *Resource Guide.*

   legal aspect
   legal counsel

OBTAINING TECHNICAL ASSISTANCE

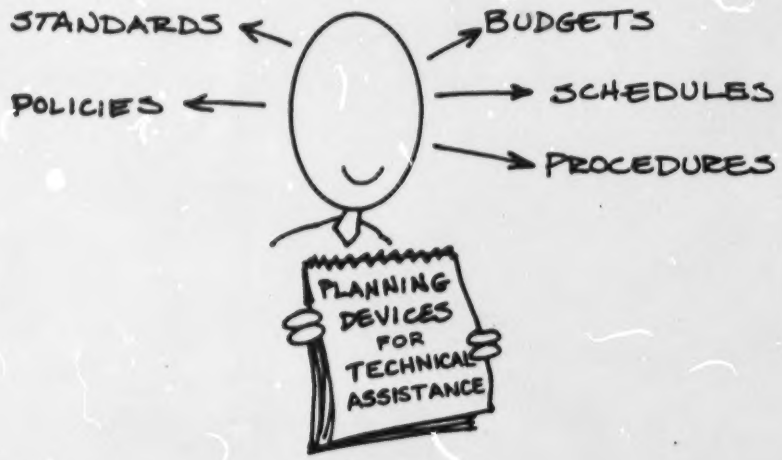
WHAT IS THIS UNIT ABOUT?

This unit will help you see that an entrepreneur must make advance preparation for using technical assistance. You will learn what to look for when selecting professional consultants. You will also consider some guidelines for working effectively with consultants.

You will add specific sources of assistance to your "Technical Assistance File." You will also develop an action plan for securing technical assistance needed in your business.

HOW DO YOU PREPARE FOR SECURING TECHNICAL ASSISTANCE?

It may sound strange to hear that you need to prepare for securing technical assistance, but it's true. You really can't make the best use of outside help until you are sure what help you need. For example, suppose you call on your banker and say, "I'm planning to remodel my building. Can you lend me the money?"



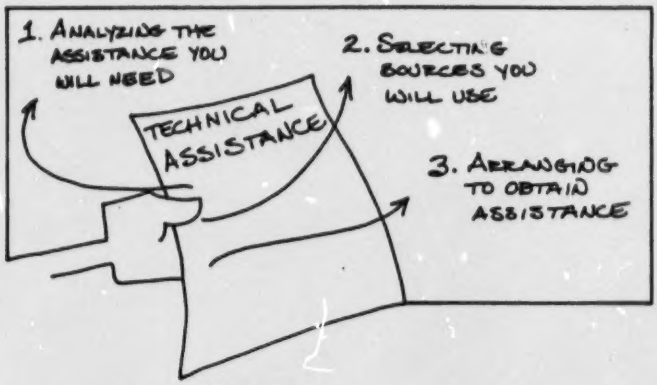
Your banker will undoubtedly say that he or she will be glad to talk to you when you have a clearer picture of how much money you can supply, how much you need to borrow, what collateral you will offer, and an assessment of the current and future condition of your business.

You can prepare for securing technical assistance in the following five ways:

- Defining the problem
- Identifying expected benefits
- Analyzing cost-effectiveness
- Considering personal constraints
- Considering available options

HOW IS THE PROBLEM DEFINED?

Before you turn to a book, person, or agency for help, you need to identify your specific problem. Even if you call a plumber, you need to know what is leaking or what the symptoms of the problem are.


1. ANALYZING THE ASSISTANCE YOU WILL NEED
2. SELECTING SOURCES YOU WILL USE
TECHNICAL ASSISTANCE
3. ARRANGING TO OBTAIN ASSISTANCE

The closer you can focus on the problem, the easier it will be to identify what kind of technical assistance to seek. The more exactly you identify the nature of the task, the less time a specialist will have to spend helping you define the problem rather than solving it. If you are paying for the technical assistance, you will save money by defining the problem in advance. If you are receiving free advice, you are saving valuable time for the adviser.

WHAT ARE THE EXPECTED BENEFITS?

The key question is "How will solution of this problem help the business?" The answer should be thought out prior to seeking assistance. Be specific about the ways your business will benefit from the technical services.

HOW MUCH WILL TECHNICAL ASSISTANCE COST?

If you are going to have to pay for technical assistance, you will want to estimate the cost of the assistance as accurately as possible. How much of your executive time will be needed to work with the

specialists? Are there other possible costs involved? Will these costs be offset by the possible benefit you might gain from the assistance?

WHAT ARE YOUR PERSONAL CONSTRAINTS?

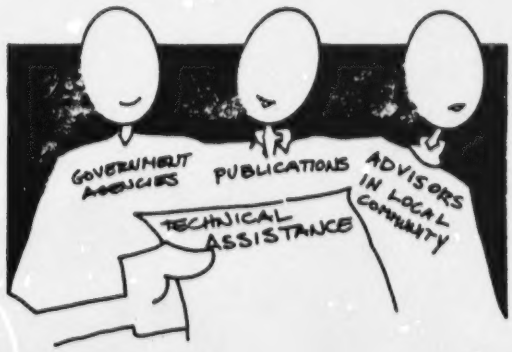
There will be many times in your career as an entrepreneur when you will feel as though you should be twins. You will have so many things to do that your time is literally filled from morning to night. So before you decide to seek technical assistance, you should be sure that you will or can budget your time to take advantage of the advice you get from outside sources. Be realistic in terms of the demands on your time and make the decision in advance that you can afford the time.

WHAT OPTIONS ARE AVAILABLE?

In some cases, you will be able to obtain technical assistance from community advisers who will provide services free of charge. Bankers, life insurance representatives, real estate representatives, and suppliers will provide advice in their own specialized areas because they want your company business. But advice from these community advisers is not completely impartial, so you will find it advisable to seek "second opinions" from community advisers who represent competing firms.

WHAT ARE THE LIMITATIONS OF USING COMMUNITY ADVISERS?

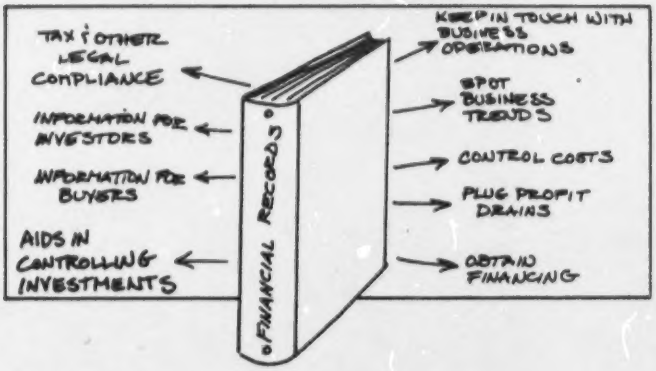
While these community sources of assistance will be important to you, they usually will not be able to devote extended periods of time to your business. The business associations related to your firm will be



anxious to help you if you are a member. Local chambers of commerce also offer assistance and government agencies are usually willing to help within their areas of responsibility. They will provide publications or other materials that will be of help to you.

HOW CAN YOU SECURE LONG-TERM HELP?

The legal and financial aspects of your business are areas where you'll probably need help on a long-term basis. If you need long-term assistance from one individual or agency, you will probably have to pay for it. You will find that a wealth of professional services are available if you are willing to pay for them.



WHAT ASSISTANCE CAN ATTORNEYS PROVIDE?

Therefore, you should become familiar with the services available from attorneys, accountants, and general management consultants.

Many decisions in your company have legal aspects. A *legal aspect* means that a connection with the law is involved. When you choose your form of business organization, the decision carries a legal aspect because taxation procedures vary from one type of organization to another.

Experience will help you gain an understanding of the major legal aspects of your business. But complex problems require someone who can furnish advice or *legal counsel*—usually a lawyer. Small businesses and attorneys are necessary to each other. One study shows that 94 percent of small businesses rely on outside legal counsel and 89 percent of all attorneys consider small businesses important to their practice.[1]

Here is a partial list of the technical assistance you will probably need from an attorney.

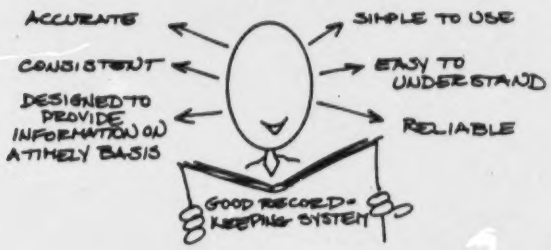
- Legal structure of the business
- Taxes
- Leases/real estate transactions
- Drawing up of contracts and agreements
- Franchises
- Delinquent accounts collection/legal action
- Representation in legal action
- Insurance problems
- Local, state, and federal laws and regulations
- Estate planning

Your attorney is one of your most important sources of outside assistance. You should make it a point to provide your lawyer with regular information about the company. Your lawyer should be treated as a vital member of the company staff. It is a good idea to jot down "lawyer questions" as they occur to you and to schedule regular monthly meetings to keep your lawyer up-to-date on what's happening in the company. At such meetings, you'll also have the chance to learn of new regulations or information that may affect your company.

Most lawyers set their fees on an hourly basis, although some set flat fees for their smallest companies and set retainer fees for their largest companies. Fees for consultants are discussed later in this unit.

WHAT ASSISTANCE CAN ACCOUNTANTS PROVIDE?

You can get assistance on your accounting system from bankers, lawyers, and suppliers. But employing the services of an independent accountant or accounting firm will provide you access to expert



advice on recordkeeping, financial management, and general administrative affairs. Here are some of the services an accountant provides.

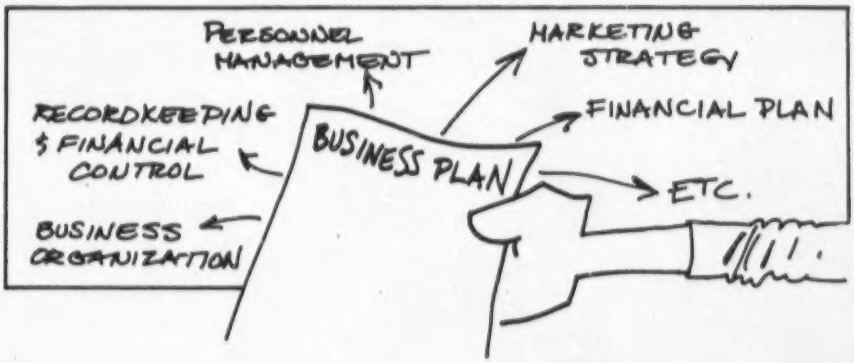
- Acts as a sounding board for management in financial and general administrative matters
- Prepares financial statements and periodic audits of records
- Assists in the interpretation of financial statements
- Reviews accounting needs, and develops suitable accounting systems
- Determines cash flow and working capital requirements
- Trains bookkeeping staff
- Recommends credit policies
- Develops purchasing and inventory controls
- Prepares tax returns and plans tax programs
- Analyzes adequacy of insurance coverage
- Works with company attorney and other professional consultants

Your accountant is another key outside figure in your organization. So unless your field of expertise is accounting, you will be wise to select and develop a long-term relationship with a competent accountant. You should meet monthly to review your company's financial statements. At the same time you should seek the accountant's opinions and evaluation of the financial health of the business. You will find this professional consultant is capable of becoming a trusted adviser on major issues facing your business.

WHAT ASSISTANCE CAN GENERAL MANAGEMENT CONSULTANTS PROVIDE?

Although there are management consultants who specialize in every phase of business operation, your needs may be better served by establishing a relationship with a general management consultant

whom you call for help on most any entrepreneurial problems. Some of the kinds of assistance that you might seek from a general management consultant are discussed in the following.



Insurance Management. Entrepreneurs operate under constant risk. You must protect your goods and supplies, building, equipment, and other assets. You must collect debts and deal with natural catastrophes. Dealing with such business risks requires knowledge of risk management. Although your accountant or attorney will be able to advise you, at certain times you may want to receive more specific assistance. A general management or insurance consultant will be able to provide the information you need.

Taxation. Your accountant is usually the company's basic source of technical assistance for taxation. Help is also available from the federal, state, and local tax agencies. Some business associations provide taxation advice to their members. Suppliers sometimes provide assistance from their legal departments. Persons who provide tax information services are entrepreneurs just like you. Bankers can also be helpful.

HOW SHOULD PROFESSIONAL CONSULTANTS BE SELECTED?

The selection of technical assistance that is suitable for your firm demands an organized, businesslike approach. The following procedures are recommended.

1. **Set Up a Technical Assistance File**

   If you organize a file box of technical assistance information (such as suggested in this unit at Level 2), it will provide you with quick access to the technical consultants available to you. It will shorten the time needed to find appropriate outside help. It will also become your record of services used and will help you evaluate the services you have received in the past.

2. **Identify Requirements**

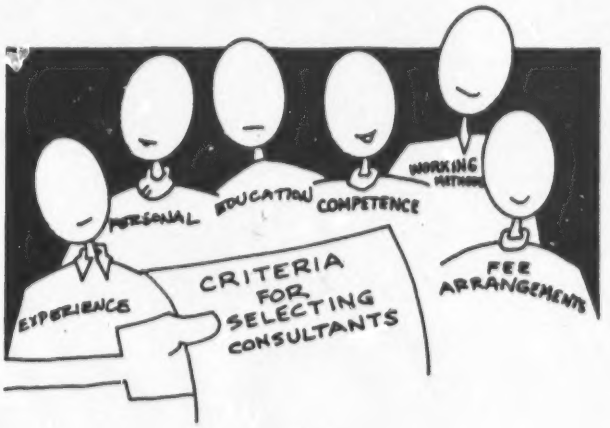
   As mentioned in the beginning of this unit, defining your technical assistance needs in advance is helpful. A written statement of your problem and the kinds of tasks you expect a consultant to perform will help you describe your needs to prospective consultants.

3. Search Out Possible Consultants

The associations and agencies in your Technical Assistance File (which should include your experienced competitors), will be helpful in finding individuals and firms capable of providing the help you need. Each of these persons or companies should be considered in your search. The specific criteria you should consider for each are described in the following section.

WHAT CRITERIA SHOULD YOU USE TO SELECT CONSULTANTS?

Each potential individual or firm should be interviewed and evaluated. The following criteria should influence your final selection.



- **Competence**

  Make sure that the firm or individual possesses overall competence in the area where you are seeking assistance. In addition, there should be evidence of past experience in dealing with problems like yours.

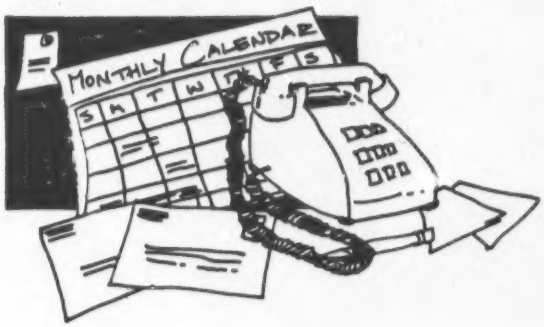
  The overall competence and past experience should have been applied in small business settings. The consultant's experience with similar companies should be investigated. The individual should provide you with professional references. Talk with each reference and be sure to ask for an evaluation and discussion of each person's or firm's performance.

- **Working Methods.** Any outside source of technical assistance must be compatible with your business. A consultant needs to adapt to your schedule and your style of operation. You will probably be looking for a person whose approach to problems and solutions is practical rather than theoretical. You can gain this information from both the prospective consultant and from the consultant's former or present business clients. The time to discover the methods a consultant uses and how your firm could adapt is before a consultant is employed.

- **Fee Arrangements.** Payment for professional services can be provided in several ways.

  - Per day or hourly fee means that the consultant is either paid by the day and spends total days on the assignment, or is paid by the hour and logs the hours worked for your firm.

  - Project fee means that the consultant is hired to perform a specific project that can be defined in advance in terms of the time required for completion.



  - Retainer fee on a monthly or yearly basis means that the consultant is available under certain specified conditions. For example, an accountant completes monthly and quarterly income statements and income tax returns for a yearly retainer fee.

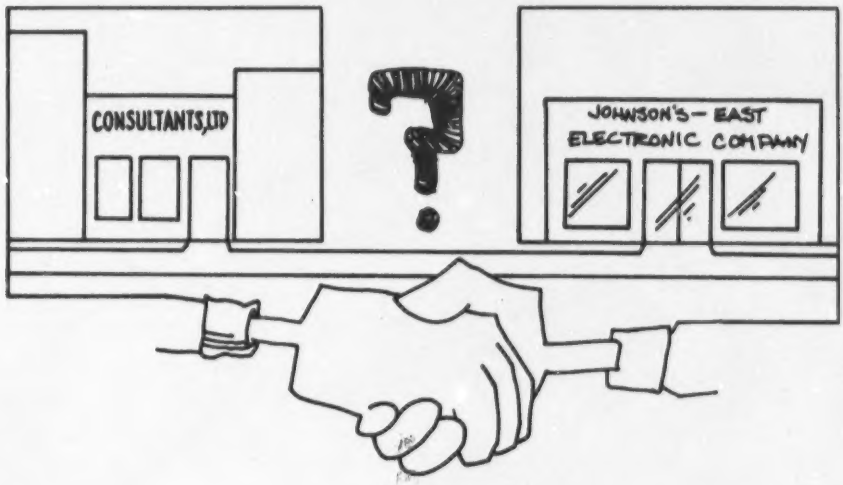
  In any payment arrangement, variations are possible. For example, a maximum fee might or might not be set in advance. The fee arrangement should be fair and clearly understood before any agreement is reached. There should be a prearranged procedure for termination of the services by either party with proper notice.

HOW CAN YOU WORK EFFECTIVELY WITH CONSULTANTS?

Once you have selected a consultant, you need to reach a number of agreements before a contract is signed.

- Agree on the scope of the task and the expected outcomes.
- Agree on methods of working from beginning to end.
- Agree on schedule or broad patterns for conducting activities so that they don't interfere with business.
- Agree on the pay rate and the schedule for payment.
- Agree on reporting and implementation procedures.

The success of the consulting relationship depends upon a team approach to solving the problem. The consultant and the



entrepreneur each has a role to play, and the partnership approach should be the basis for the relationship.

ACTIVITIES

Perform the following activities to learn more about obtaining technical assistance.

INDIVIDUAL ACTIVITY

Complete file cards in each section of your "Technical Assistance File" by identifying the best sources available to you for each management task in which your experience and skill is weak.

Identify your requirements for each need and search out possible consultants. Make file cards for those persons or firms that you plan to use for technical assistance. Include their addresses, telephone numbers, fees, specific talents, or other information you want to remember about them.

Use Handout No. 1, "Technical Assistance Needs Assessment," for summarizing your findings and sharing them with your class.

INDIVIDUAL ACTIVITY

Use Handout No. 2, "Monthly Calendar for Technical Assistance," to plan for securing the technical assistance you need. Contact your selected sources for appointments and record them on the calendar.

Set up file folders for each business or management problem so you can keep accurate records of progress on solving your difficulties.

GROUP ACTIVITY

Share the results of your search for consultants or technical assistance with your teacher and fellow class members.

CASE STUDY

Linda Walton operates a motel that her father operated for many years. After Linda's father died four years ago, she took over management of the company. The business had been profitable over the years, but profits had been declining over a period of eighteen months. Linda assumed that increased expenses and competition were responsible for the decline, but she wondered if her management might also be contributing to the problem.

The "Walton Wayside Motel" used the services of an independent public accountant who prepared financial statements each month from the bookkeeper's postings. The accountant had been with the business for more than twenty years.

Linda's father had been an accountant in his early years so he could easily interpret the monthly statements. Linda, on the other hand, is a sales and public relations specialist and is not very good at interpreting financial statements.

Linda decided to bring in an independent consulting firm to review the financial operation. The consultant found that expenses were out of line and that too many reduced rates were being approved by the manager. The consultant recommended that the accountant sit down with Linda each month and interpret the financial statements, pointing out the areas of strength and weakness.

Linda decided to replace the elderly accountant with a person closer to her own age. She called her banker for advice, and discussed her needs with the executive secretary of the hotel-motel association in

her state. After talking with a few competitors, she chose John Amos as her new accountant.

After working for a year with the new accountant, Linda has reduced her company's operating expenses and has hired an assistant manager. The profit picture has improved and the accountant has become a real asset to the business. As a result of the new accountant-manager relationship, Linda has improved her understanding of accounting and management controls. The accounting fees have been somewhat higher during the past year, but the progress made by the motel has more than offset the increased expenditures for John Amos' services and for those of the consulting firm.

1. How did Linda Walton prepare for using technical assistance?
2. How did Linda select an accountant?
3. Did Linda and John Amos work together effectively? How do you know?

ASSESSMENT Directions: Read the following assessment questions to check your own knowledge of these topics. When you feel prepared, ask your instructor to assess your competency on them.

1. Tell in your own words what you as an entrepreneur will be doing when you prepare for securing technical assistance by—

   - defining the problem,
   - identifying expected benefits,
   - analyzing cost effectiveness,
   - considering personal constraints,
   - considering options available.

2. Why are community advisers not able to devote extended periods of time to individual business problems?

3. Discuss each of the following types of professional service as a source of technical assistance for small entrepreneurs:

   - Attorneys
   - Accountants
   - General management consultants

4. Explain what steps you should take to carry out the following procedures as you select professional consultants.

   - Setting up a technical assistance file
   - Identifying requirements
   - Searching for possible consultants
   - Establishing criteria for selection

5. What agreements do you need to reach with consultants before a contract is signed? Decide what should go in the blanks and write your answers on a separate piece of paper.

   a. Agree on the scope of _____ and the expected _____.
   b. Agree on methods of _____.
   c. Agree on schedules and guidelines for conducting _____ so that they don't interfere with business.
   d. Agree on and schedule for _____.
   e. Agree on _____ and _____ procedure.

NOTES [1]*Inc.* 4, no. 6 (June 1982): 51.

Level 3

PACE

Unit 1. Understanding the Nature of Small Business

Unit 2. Determining Your Potential as an Entrepreneur

Unit 3. Developing the Business Plan

Unit 4. Obtaining Technical Assistance

Unit 5. Choosing the Type of Ownership

Unit 6. Planning the Marketing Strategy

Unit 7. Locating the Business

Unit 8. Financing the Business

Unit 9. Dealing with Legal Issues

Unit 10. Complying with Government Regulations

Unit 11. Managing the Business

Unit 12. Managing Human Resources

Unit 13. Promoting the Business

Unit 14. Managing Sales Efforts

Unit 15. Keeping the Business Records

Unit 16. Managing the Finances

Unit 17. Managing Customer Credit and Collections

Unit 18. Protecting the Business

Resource Guide

Instructors' Guide

Units on the above entrepreneurship topics are available at the following three levels:

- Level 1 helps you understand the creation and operation of a business
- Level 2 prepares you to plan for a business in your future
- Level 3 guides you in starting and managing your own business

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